

Report to: **Audit and Governance Committee**

Date: **4 March 2020**

Title: **Delay to the External Audit of the 2018/19 Statement of Accounts.**

Report of: **Homira Javadi, Chief Finance Officer**

Ward(s): **All**

Purpose of report: **To update members in respect of the delay in issuing the final and audited Statement of Accounts for the 2018/19 year.**

Officer recommendation: **That members note and comment on the report.**

Reasons for recommendations: **To ensure members of the Committee are aware of the technical issues as to why the final and audited Statement of Accounts has not been published.**

Contact Officer(s): **Name: Ola Owolabi**
Post title: Deputy Chief Finance Officer
E-mail: Ola.Owolabi@lewes-eastbourne.gov.uk
Telephone number: 01323 415083

1 Introduction

- 1.1 The Accounts and Audit Regulations 2015 state that authorities must publish unaudited statements by 31 May of the financial year immediately following the end of the financial year to which the statement of accounts relates.
- 1.2 Authorities must then publish their annual audited statement of accounts along with the auditor's opinion and report no later than 31 July of the financial year immediately following the end of the financial year to which the statement of accounts relates.
- 1.3 At the Committee on Wednesday, 24th July, the Committee reviewed a letter received from Deloitte (External Auditor), which gave notice that final Accounts reporting would now be expected in the Autumn. The letter, which was circulated ahead of the meeting provides the Committee with an update as to the status of Deloitte work and the proposed steps for completion. That the completion of the audit is expected to be delayed due to accounting issues with respect to the investment in Investment Company Eastbourne Limited ("ICE"). The accounting treatment and valuation of the ICE guarantee contract will require resolution prior to completion of the financial statement audit.

2 Current Position

- 2.1 The Council has complied with the recommended number of changes to address issues identified by auditors in finalisation of the financial statements. The Council also obtained advises from few consultants (Grant Thornton, ArlingClose and Link Asset Management Service) on the accounting treatment and valuation of the ICE guarantee contract. The outcome of these consultations has been shared with Deloitte, and the Council is now waiting for Deloitte technical team to agree the accounting proposal including the completion of the financial statement audit.

- 2.2 A statement regarding delay to the External Audit of the 2018/19 Statement of Accounts has been published on the Council website in compliance with Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. A copy of the statement is attached as **Appendix 1** to this report.
- 2.3 Following further discussions with Deloitte in January 2020, the Council was advised that January and February are the peak times for Deloitte business as a whole. That they have looked for team availability to perform the LDC accounts audit, and have been unable to reallocate resources given Deloitte existing commitments to other clients.
- 2.4 The rescheduling of the final audit will have implications for the Council's finance team and might present other challenges for 2019/20 closures of accounts process. This knock-on impact is currently being worked through by officers with Deloitte to ensure minimum disruption to other work commitments and internal resourcing constraints between January and March 2020.

3 Conclusion

- 3.1 According to the Public Sector Audit Appointments (PSAA), the delay in the audit timetable is not unique to Eastbourne Borough Council, as numbers of other Councils in the Country are also experiencing delays due to either auditors resourcing or technical accounting constraints. A further update on the audit of the Council Statement of Accounts will be provided at the next meeting of the Committee.

4 Financial appraisal

- 4.1 Deloitte has stated that they anticipate the audit delay will lead to additional cost, owing to the complexities and additional work in relation to the ICE guarantee.

5 Legal implications

- 5.1 As stated in section 1.2 above, the delay in final external audit means that Eastbourne Borough Council has not been able to meet its statutory duty of publishing a set of audited financial accounts for 2018/19 by 31st July 2019.

6 Risk management implications

- 6.1 This report is for information only. There are no risk management implications arising from the recommendations in this report.

7 Equality analysis

- 7.1 This report is purely for information and requires no decision from the committee. There are no equality and diversity implications arising from the recommendations in this report.

8 Appendix

- 8.1 Appendix 1 – Eastbourne Borough Council published (web) statements on the delay to the External Audit of the 2018/19 Statement of Accounts.